

FISCAL NOTE
HB 54 - SB 56
FIRST EXTRAORDINARY SESSION

April 6, 1999

SUMMARY OF BILL: (1) Provides a mechanism for a constitutional convention to consider altering, reforming, or abolishing Article XI, Section 5, of the Tennessee Constitution relative to the prohibition of lotteries; (2) requires the question of calling a constitutional convention to be submitted to the voters at the August 2000 election; (3) requires the Secretary of State to publish notice of such an election in a newspaper of general circulation to each county; and (4) provides for a tax to be levied and collected on incomes derived from lottery winnings at a rate set by the General Assembly. These proceeds are to be paid into a scholarship fund to defray tuition and other costs of Tennessee residents.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$20,000 One-Time

Assumes a cost of \$20,000 to publish notices in the newspaper in each county.

Election expenses are estimated to be minimal, since the question of calling a convention will be placed on the regular August election ballot.

For information purposes, the following should be noted:

- (1) Estimated cost of holding a constitutional convention with 33 delegates lasting 15 days is approximately \$90,000. A constitutional convention requiring 20 days is estimated to cost approximately \$120,000.
- (2) Adoption of a lottery is estimated to generate a net increase in state revenues in excess of \$200,000,000. This estimate was made using per capita gross proceeds of surrounding states that have lotteries. Estimate assumes approximately 15% of gross proceeds will go for administration, 45% for prizes with the remaining 40% retained by the state. Percentages reflect prevailing rates experienced by states having lotteries.
- (3) Estimated cost to hold a statewide referendum that is not conducted in conjunction with a statewide election is approximately \$3,770,000.
- (4) Adoption of a lottery is estimated to generate an increase in state revenues exceeding \$10,000,000 from taxes levied and collected on incomes derived from lottery winnings to be paid into a scholarship fund.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director